



Douglas County Internal Audit

February 7, 2013

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Clare Duda, Marc Kraft, PJ Morgan,
Chris Rodgers and Pam Tusa

Mark Foxall, Director of Corrections
Douglas County Department of Corrections
710 South 17th Street
Omaha, NE 68102

Dear Commissioners and Mr. Foxall:

I have completed an audit of the medical services contract between Douglas County and Correct Care Solutions, LLC (CCS). The purpose of the audit was to assess the performance of CCS in complying with the contract and the effectiveness of Corrections in monitoring CCS contract compliance. The audit revealed that CCS was in full compliance with the contract for all areas included in the audit. The monitoring of the contract was done exceptionally well. Opportunities to improve controls were identified and appear below.

Background

Contractual Rates and Adjustments

In February of 2008 Douglas County entered into an agreement in which CCS is to provide all the medical, psychiatric, dental, and other health care services for inmates within the Douglas County Department of Corrections. The initial term of the contract was for three years with two renewable one year terms thereafter. The base amount of the contract in 2008 was \$4,588,149. Douglas County must pay for all offsite medical care that exceeds \$45,000 per inmate for each twelve month period. There is also a monthly inmate population adjustment of \$2.98 per day for the average number of inmates in general custody that exceeds or falls below 850. There is a Federal custody adjustment of \$.42 per day for the monthly average population that exceeds or falls below 315. The base amount and population per diem rates are adjusted each year based upon changes to the Bureau of Labor Statistics, Consumer Price Index (CPI) changes for medical care services. The base rate for March 1, 2012 through February 2013 was \$5,204,327. The per diem rates were \$3.38 for general custody and \$.48 for Federal custody inmates. CCS must provide initial health screenings and histories and physicals within the time periods outlined in

the contract. Failure to do so could result in financial penalties (\$150 per occurrence of histories and physicals and \$50 per occurrence for initial screenings).

Accreditation

Compliance with the contract required that the level of service provided would enable Douglas County to meet the standards promulgated/developed by the American Correctional Association, the National Commission on Correctional Health Care (NCCHC), and the Nebraska Jail Standards. An accreditation failure resulting from CCS actions is considered a material breach of contract. NCCHC accreditation failure could result in a \$5,000 per month penalty.

Staffing

CCS must provide minimum levels of staffing based upon a census of 1165 inmates with additional adjustments made when populations reach certain levels as stated in the contract. Unfilled full-time equivalents (FTEs) below the contractual levels for the month are reimbursed at the contractual wage rates for the applicable positions. The use of agency nurses in excess of the 10% of the total nursing hours could result in a monthly penalty of \$1,000.

Reporting and Other

CCS is to maintain a complete and accurate medical record for each inmate in accordance with applicable laws and accreditation standards. Additionally, CCS is required to submit monthly and other periodic reports concerning the overall health of inmates as well as the services rendered under the agreement. There are other contractual requirements that were not included in the audit such as office equipment usage and maintenance and training for Corrections staff. Internal Audit did assess the quality of health care provided.

Objective

The purpose of the audit was to assess the performance of CCS in complying with the contractual terms as outlined in the Background section above. The audit also included an assessment of the effectiveness of Corrections in monitoring CCS contract compliance. Specifically, the audit was conducted to determine if:

- CCS is providing inmate healthcare in a timely fashion according to contractual terms and meets the standards of the accrediting organizations per the contract.
- CCS is providing relevant and timely reporting regarding the overall health of the inmate population according to contractual terms.
- CCS is submitting the amounts billed for medical services completely and accurately according to contractual terms.
- Corrections has appropriate, monitoring procedures in place to determine if medical services are billed according to contractual terms.

Scope

The audit included all billings and reporting from July 2012 through November 2012. The monitoring procedures in place were assessed at the time of fieldwork as of January 14, 2013.

Methodology

The information documented by Internal Audit was obtained through interviews and observations of the policies and procedures in place. Numerous tests were performed using various types of information generated over the period identified in the scope above. The tests included but were not limited to the following steps below:

- The latest accreditation reports were reviewed to determine if there were any issues regarding inmate medical services that had not been addressed.
- CCS monthly reporting on overall inmate health care, operational performance, and detailed and summarized expenses was analyzed to determine if the information was relevant and provided in a timely fashion.
- Internal reporting regarding CCS contract compliance was analyzed for relevancy and timeliness.
- Reports generated for the Medical Administrative Committee were analyzed for relevancy and timeliness.
- Fifty-five inmate screenings were analyzed to see that exceptions to the two hour requirement were reported accurately.
- Thirty inmate files were examined to see that histories and physicals were completed within fourteen days.
- Documentation was examined to see if management monitored CCS compliance with contractual terms regarding screenings, histories and physicals, and staffing levels.
- Billings including all adjustments were recalculated and traced to source documents.
- Staffing levels were recalculated and traced to contractual requirements.
- Staffing hours reported were traced to CCS payroll reports prepared per an Internal Audit request.
- Documentation was examined to obtain evidence that that the billings were recalculated by Corrections and reviewed by supervisors.
- The base amount and per diem rates were traced to independently obtained CPI changes.
- Medical invoices for two inmates exceeded the \$45,000 cap. The amounts were traced to CCS Stop Loss reports.
- Ten of the largest invoices included in the Stop Loss reports were selected and traced to CCS cancelled checks.

The issues identified appear in the Findings section below:

Findings

Polices and Procedures

Criteria: Management should define and communicate the necessary policies and procedures needed to effectively monitor vendor compliance with the inmate health care contract.

Condition: The process in place to monitor CCS contract compliance was effective. However the policies and procedures were not formally documented in writing.

Effect: Without well written policies and procedures there may not be clear expectations and consistent work product for current and future employees.

Cause: Management did not consider written policies and procedures a priority during this time.

Recommendation: Formally document in writing the policies and procedures used to monitor health care contract compliance.

Management Response: The process utilized to monitor CCS contract compliance will be formally documented in writing. The process will describe clear expectations and requirements for thorough and consistent procedures for monitoring contract compliance. It is anticipated that a first draft of the policy will be completed by 1 May 2013 and a final document presented by 20 May 2013.

Histories and Physicals Monitoring

Criteria: Management should document all monitoring of the timely completion of inmate physicals and histories.

Condition: At least every two weeks, the Captain of Admissions and Classifications reviewed all late appointments to see if CCS was complying with contract terms and providing adequate care. However, documentation for only the latest review was kept.

Effect: Without documentation there can be no assurance that timely and effective reviews for late appointments were completed except for the latest review conducted.

Cause: There was no policy in place to require that each review of late appointments be properly documented.

Recommendation: File, date, and initial the late appointment reports along with any pertinent information to fully document the review of late appointments.

Management Response: Currently, approximately every two weeks, the Contract Monitor reviews all late appointments to ensure History and Physicals are completed as required by contract. Effective 18 January 2013, a copy of the late appointments document was made and initialed to reflect that the review was conducted. These reviews shall be conducted at least every two weeks to ensure contract compliance. The procedure for outlining this process shall be included in the formal policy.

Audit Standards

Internal Audit conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives. This report was reviewed with Director of Corrections, Mark Foxall, Administrative Services Manager, Roland Hamann, and Captain of Admissions and Classifications, Mary Earley.

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Internal Audit appreciates the excellent cooperation provided by the Correction's managers and staff. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Paul Tomoser
Trent Demulling
Joni Davis
Donald Stephens
Thomas Cavanaugh
Kathleen Hall
Patrick Bloomingdale
Joe Lorenz
Roland Hamann
Mary Earley
Mark Rhine